



Venezuela Publishes Amendment to the Tax on Large Financial Transactions Law

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The National Assembly of Venezuela on Feb. 25, 2022, in *Official Gazette* Extraordinary issue No. 6,687, published the Reform of the Tax on Large Financial Transactions Law (LIGTF), which includes the following main aspects: 1) the incorporation of a new taxpayer category other than special taxpayers and 2) the establishment of differentiated rates for transactions in foreign currencies or cryptoassets not issued by the Bolivarian Republic of Venezuela.

1. Incorporation of a New Taxpayer Category

Before this law was reformed, only legal entities and individuals that qualified as special taxpayers incurred this tax. The reform incorporated the following persons as taxpayers:

- a) Individuals, legal entities and economic entities without legal capacity that make payments in the national banking system in a currency other than the legal tender or cryptocurrencies or cryptoassets other than those issued by the national banking system, without the intermediation of a foreign banking correspondent, under the policies, exceptional authorizations and parameters established by the Central Bank of Venezuela (BCV)
- b) Individuals, legal entities and economic entities without legal capacity that make payments in currency other than the legal tender, or cryptocurrencies or cryptoassets other than those issued by the national banking system, to persons that qualify as special taxpayers, without the intermediation of financial institutions

By reference to the first assumption –payments in foreign currency or cryptoassets not issued by the national banking system – in the Exoneration Decree published with the Reform on Feb. 25, 2022, in the *Official Gazette*, any payments authorized by the competent authorities issued by foreign currency accounts in bolívares soberanos with domestic and international debit or credit cards by individuals that do not qualify as special taxpayers were considered grounds of non-liability (non-taxable). This provision clarifies one of the most controversial aspects of implementing this reform.

2. Establishment of Differentiated Tax Rates for Transactions in Foreign Currencies or Cryptoassets Not Issued by the National Banking System

The reform established a range of tax rates for operations in foreign currencies or cryptoassets not issued by the Republic of Venezuela and authorized by the executive branch in the following terms:

- a) A tax rate between 2 percent and 8 percent for payments made in foreign currency or cryptocurrencies or cryptoassets other than official currency by individuals, legal entities and economic entities without legal capacity and the intermediation of a foreign banking correspondent
- b) A tax rate between 2 percent and 20 percent for payments made in foreign currency or cryptocurrencies or cryptoassets not issued by the national banking system by individuals,



legal entities and economic entities without legal capacity to persons that qualify as special taxpayers without the intermediation of financial institutions

The reform law stated that until the national executive branch does not establish a different rate, the tax rate for all transactions in foreign currencies and cryptoassets not issued by the national banking system will remain at 3 percent.

3. New IGTF Regime

Payer	Transaction	Aliquot	Liquidation
Special taxpayer	Payments made in currencies other than the legal tender in the national banking system.	3 percent	The bank would act as a tax collection agent.
	Payments made to persons that qualify as special taxpayers, in currencies other than the legal tender, or in cryptoassets not issued by the national banking system, without the intermediation of financial institutions.	3 percent	Correspond to special taxpayers according to the calendar issued by the National Service of Customs and Tax Administration (SENIAT).
Natural or legal person that does not qualify as a special taxpayer	Payments made in a currencies other than the legal tender in the national banking system.	3 percent	The bank would act as a tax collection agent.
	Payments made to persons that qualify as special taxpayers, in currencies other than the legal tender, or in cryptoassets not issued by the national banking system, without the intermediation of financial institutions.	3 percent	No legal or sub-legal regulation to date.

4. Unresolved Issues

The reform left many unresolved issues related to the determination and liquidation of the tax, including the following:

- liquidation of the IGTF for payments made outside the financial system by persons that do not qualify as special taxpayers



- liquidation of the tax for payments made outside the financial system by a special taxpayer to another special taxpayer
- mixed payments
- the inclusion of value-added tax (VAT) in the taxable base of the IGTF, and
- supporting documentation of the IGTF

5. Entry Into Force

This Law will take effect 30 calendar days after its publication, that is, on March 27, 2022.

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